

EXHIBIT C

FINAL TRANSCRIPT

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Conference Call Transcript

ERIC - Ericsson Strategy and Technology Summit in London

Event Date/Time: Sep. 11. 2007 / 9:00AM UKT

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Good morning. Welcome everyone. My name is Henry Stenson, I'm Head of Communications in the Ericsson Group and I will be your moderator today. We have put together a program that runs up until around two o'clock. In between, there will be a couple of presentations, to be exact, four from Ericsson and then a run through from Sony Ericsson as well, after we've had some coffee.

We will also make sure that there will be Qs and As in between and there will be at least three sessions of Q and As, so don't get too worried if you don't have the chance to put your question in the first round. We will start up with our President and CEO, but before I let you get the floor, I just want to remind everyone about the wonderful thing we did last time at the capital markets day in May.

We got a lot of good input from those who filled in the form that you found on your seats and we will do the same thing this time, but we can't show you, who, is the winner of the phone this time. So it will be sent out the person who wins the new Sony Ericsson phone that we will give to the -- one of the people who fills in the form. No matter what you put on your paper.

Maybe I should add that. I will get back to you with more detailed information on the way, but the first two presentations followed by a Q&A is first Carl-Henric Svanberg and then our CFO, Karl-Henrik Sundstrom and then we have a Q&A and then we go on like that.

So, having said that, please Carl-Henric. The floor is yours.

Carl-Henric Svanberg - Ericsson - President and CEO

Thank you. So, good morning everybody. It is what we call dynamic and exciting times in telecom. It is an exciting time. You all know about subscription growth, how it continues, but it's still amazing the way it's being built out in the world, whether you look at Africa or you look at India or Asia or so on. It just goes beyond any expectation. And it's also clear that mobility plays an increasing role in telecom. We want to do everything we do wherever we are and whichever way we want to communicate, it's going to be mobile.

Mobile [FX] broadband, is being rolled out and we're involved, as you know, in big roll out projects for new fiber-to-the-home in the U.S. and so on and all these new opportunities opens up this world for multimedia. So in that respect, we feel that we're just in the beginning of a new interesting era here.

We are leading with a full focus on the future. Our technology leadership is, as of now, is unchallenged. We have bigger scale than anyone else and we are working hard to reach and drive operational excellence. That's obviously not a stage you reach, it's something you forever struggle for.

A couple of comments on emerging markets. There is a lot of GSM build out, of course, continued coverage, continued build out of capacity, but there is also an increased roll out of HSPA. HSPA is happening, I will come back and comment on it, but it's accelerating now with lots and lots of new build outs. And one important part that I'm sure you've all understood, but actually we took a decision three or four years ago that the industry have followed, it's the same technology right through the world.

We had this discussion whether we would, when we looked at what we called the next billion, whether we should do another, what we call, a poor man's network, a poor man's phone or something. But nothing is more cost efficient than to build another billion of what you already did build a billion with. So, whether it's Bangladesh or downtown Tokyo or in New York, it's the same equipment. That creates economies of scale right through.

It is also today, we build everything we do with a clear migration path, evolution path. And we think that is important. That was not the case originally from GSM to 3G. But today, GSM, 3G, HSPA, [LTE] there is a migration path to protect also investments made from the operators.

It is also clear that mobility contributes to productivity and quality of life that we all can see in our daily life. But it's also the mobile phone, we believe, that will close the digital divide. It means an awful lot when you come out to these urban areas, rural areas in the most poorest part of the world when they can get access to Internet and knowledge.

And we are, and some of you may have seen that, we are supporting U.S. Millennium Villages, these 12 villages in [Black] Africa, with over 4,000 people where will provide coverage together with operator partners in that area. A couple of comments on mature markets. What we feel, one of the most encouraging things right now is that the user is back in the driver's seat.

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When we pushed as an industry, 3G to the market, four or five years ago, six years ago, it was really a technology push. Today young people, they download their music into their MP3 players, we're synchronizing our computers. We're watching streaming TV programs when we come home on the PC, all of what we're doing there, we're eager to also do from a mobility point of view. So we want to do mobile.

So the user is eager, the user knows what he wants. If we can upgrade from 3.6 to 7.2, the user is happy. It's a market demand that is very clear there and it's an accelerating demand for services beyond voice. It is also clear that data is becoming [dimensioning] on networks and I'll come back to that in a second, but it's — it — you can almost see the networks as having a voice pipe and a data pipe and so far the data — the voice pipe has dimension the network.

And the data pipe comes for free and hasn't been filled, but over time now and fairly quickly, this data pipe is being filled and data will take over as being the dimensioning factor in the high-speed networks, and we'll talk more about that as we go along here. But we can see today that there are bottlenecks emerging and there's pretty hefty growth on data right now.

Major broadband, fixed broadband expansions, as I said on my first slide, that is happening and it's much supported by the fact that we can bring intelligence further out in the networks and that is critical to the peer-to-peer communication and so on that is happening and that Hakan Eriksson will come back in an hour or so.

It is also clear that Europe is — there is consolidation going on in Europe that is needed, that is healthy. As I've commented on before, we have four operators in the U.S., four in Japan, four in China and 40, 50 if not more here in Europe. So there has been, with the economies of scale of emerging networks and so on, things will continue to happen here. And that's healthy, that's positive.

Whether that is through mergers, whether it is through network sharing, whether it's through managed services, that is the choice of — in every situation. It's just important to follow it. And it tends to be that whatever such thing happens, or at least when it's about to happen, that that becomes a bit of a standstill for awhile. But overall, it doesn't really change the underlying demand for equipment, thus traffic continues to grow.

The — there is a huge success today for HSPA. There is hardly a newspaper that you open today, at least those I read, stories about people saying 'now it's wonderful, I can do this, this is —. I get 3.6 or I get 3 megabits per second, it's fantastic, I can work at home, I can be at my summer house and whatever.

We have, right now, 150 million subscribers in the world's [wide density main] network in the industry, adding some 6 million per month. There are — well there are 174 networks and so on, you all know about that. We are right now upgrading our networks as we speak from 3.6 to 7.2, headed right now by Austria and Sweden and Australia and other countries. But that will happen very quickly, it's basically a software upgrade and the networks are, as I think you know, ready for [14].

A lot of HSPA roll outs in the pipeline. Actually more than 50 operators are now being added to the list, will be added to the list as in the near future. Lots of countries that you see there and this goes beyond just the developing markets, developed markets. And here we talk about roll outs throughout Latin America and Russia and India as part of, for example, the DS&L contract— although licenses and frequencies are not yet awarded, but it will come rather quickly in India as well.

It is part of daily life, there is an ecosystem today in place, there are some 300 devices available. Every new increased speed tends to be brought to market through initial PC cards or USB devices and so on, then various phones follows. We will also bring to the market embedded modems, early 2008, into laptops.

We think that that's a very important part and that's what we're used to. But we can see when people that are used to coming to the hotel rooms and look for wireless LAN and pay 15 pounds or whatever, when you're out there and you travel and your PC is connected, you basically — you're connected all the time. I can see even at work that our guys that have laptops, they're carrying them around and have their PC card, they don't even dock into their docking station when they come to the office.

Just a statement from [DSA], in their statistics, they're saying that there are 800 million users in networks that are HSPA enabled. That is also an interesting figure to remember because that means that such a user only needs to renew a SIM card and get a device and he's HSPA, which is of course different than if he had to swap operators and what have you.

This is a picture that — what came up there was the added information. The rest was before last time we met. You can see — and these are three example that we follow, two in Western Europe, one in Asia Pacific where we're just seeing what is happening to data traffic in HSPA networks.

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And after six months, there was a doubling and now after an additional three months, we're 300% up in these networks. And it really happens quite quickly.

Let me just show you three examples here of entry strategies for mobile broadband, and we can look at many of them, I just want to show three. Also three. The first one being MTN in South Africa. This is from Africa showing how they provide mobile data. The other two or three in Sweden and Maxis, Malaysia is showing mobile data, but also how they compete with fixed broadband.

This is what happened for MTN in South Africa. You can see back there, one day in 2005, they launched 3G. And you can see where data traffic was in monthly gigabytes. Then you can see how they, in 2006, they upgraded to HSPA with full fall back to 3G and EDGE. You can see how then later in the beginning of this year, how they presented more -- both more aggressive, but also more transparent tariff schemes.

I think this is one of the -- it's easy to say that it -- everything gets -- accelerates when you have cheaper, when it's cheaper and so on and that is all basically fine, but it's also that you need to understand what costs you will actually have when you start to download. This is one of the sad parts, still, that we have so bad the data roaming charges international. So you're sitting there you're downloading, you get a bill of \$100, you didn't even understand what happened.

And then you can see where they are today. 4,000% what that ever means as they started from a low level. But some 230% traffic growth over 12 months, some 78% increase in monthly users over the last 12 months. So it -- this has been a great success for MTN.

If we look at the three, this is another example, back in September, a year ago, they were working on regular 3G. Then they upgraded to what they called 3G Turbo, which is HSPA and they focused on business users, with a flat rate of EUR64. And they started to see a pretty hefty uptake.

Then at the beginning of this year, they extended their focus to also going to consumers and they offered a flat fee of 21, and since then it's really, really growing fast. And now that the incumbent in Sweden is quickly picking up and so (inaudible), but three really captured a lot of that market and they're one of those that are now upgrading to 7.2.

7.2, by the way, to upgrade from 3.6 to 7.2 is of course a factor of two, but more important is that 7.2 includes an uplink of 1.2, and that I think is an even bigger driver than to double the speed right now. Just another example in -- from Maxis Malaysia, where they introduced prices that were on par with ADSL.

They very quickly got the same performance as ADSL financially, 15 to 25, 24 per month in [new] ARPU, data usage on level with ADSL, and of course you have, as you often see, 10% of the users generate 80% of the traffic, the early adopters. But it was also clear, as this is our partner in -- our closest partner in Malaysia, it was also clear how this opened up for them to come into the otherwise fairly low (inaudible) telephony markets. So this was a door into that as well. It is also part of the government's initiative to provide broadband everywhere.

So just some -- there is some reasoning around how we see the wireless market going forward, because we often get the question, when will data -- what will happen? What happens to the growth in our market and so on? It is clear that this has been a market that has been dependent on voice and simple messaging.

So if you see the networks as two pipes with one voice and one data, and the voice pipe is full and the data is not full, that means that it's the voice -- growth of voice traffic that drives acceleration or additional capacity needs in the network. But it is clear that I think we all can see that mobile broadband will be mass market. That -- there isn't -- if you talk to operators today, there isn't an operator that the first thing he says, Jesus, my data traffic is just accelerating here. Every one of them says the same thing.

So voice has been dimensioning, but data will take over. The question is, of course, when that happens. And here each operator will be different. And I think there is no given point in time when you can say that now the world's networks are full. I think you understand that. But one has to look operator by operator and different parts of the networks at different times.

The key question is, of course, what services is it that will be introduced? Which ones will gain traction? Just the fact that we are having as much uplink as downlink, I think the whole world has turned out to be different than, I guess, we thought a few years ago. So to guess exactly what will happen, I think, is difficult at times. And certain services generate more traffic than others.

The question is also, how we'll operate as business models evolve? How adaptive and able to change will they be? And how much protective or progressive will it also be? I mean, is it so that they're sitting there and saying maybe I should stay on a higher fee here because I don't want to disturb this and that?

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Or, do you want to go in that and be aggressive and capture the market? I think these are choices that no one of us really know. The only thing we know, it will happen. And like we see in Sweden, when three is pushing on, of course, now the incumbent has to sort of follow. And that I guess is not the best of positions either.

What I think we will see going forward is that we will see a market dynamic that is a bit of a mixture of what it looks like when we build out mobile coverage, but also how fixed broadband capacity is being built out in the world. But from our point of view, it looks pretty exciting.

Let me say a few words on coming to the business units, but start with Ericsson first from an overall point of view. I'll talk about these four parts and let me start with our strategy here. If you go back to 2003, we -- that was when we were in the tough restructuring. That is when we focused so much on OpEx, focused on cost of sales, focused on supply, on R&D, on project management. But these were basically survival issues.

When we came to 2005 that is when we really started to push growth. We started to push -- we started to win market share, not to push market share, but we clearly won market share. We started to extend the leadership we had. It was very much based on our technology leadership.

We had been twice the size or 50% bigger than our competitors, spending more on R&D than our competitors. But we hadn't really had the output, the leverage of it. We started to really get that leverage, and by spending 50 to 100% more than our competitors in R&D, obviously, I think that became a trigger for the consolidation for the others. And now in 2007 and onwards, we have started to expand our portfolio, we have done acquisitions, as you all know, we entered new areas and we're pushing multimedia.

What that has meant then in terms of financial performance, just that we look at that part. We can see that we've had a compounded sales growth of 17% over the last four years. We have an OpEx growing with about 8%. So we continue after the restructuring to hold back OpEx growth and continue to gain efficiency.

If we look at the margins, these are the margins, the upper line obviously including Sony Ericsson and the bottom line excluding Sony Ericsson. And you can see a bit how it varies through the years. You can also see how we have stabilized over the last six quarters. Obviously, we need to see how it continues from there. And you can also see that we were actually a little bit higher in 2005.

If we then talk about the regained scale advantage, this is pretty important. We are almost today, we just saw a recent report, an external report, on market shares and we are -- we're not quoting much of our own estimates by the weighting of external reports on market shares, but there was a report recently that said that we were over 45% now in both GSM and HSPA.

Now that's pretty encouraging. Because if you go back three or four years, we were at 35 and we had a pretty good leverage over our nearest competitors, but through the mergers, others [crept] much closer. And now we've sort of extended it, so we are -- we're basically back where we were in scale advantage before the consolidation took place.

We're growing market share in basically all the areas that we target. We have a global services force with more than 40,000 individuals, of which 28,000 are own employees. And we also have partners that we work with every day for roll out services. We're 18,000 R&D engineers. We're spending 4 billion in U.S. dollars in investments in R&D every year. We have 2,000 patents, you know that.

We have done a number of acquisitions. You're all familiar with them. But we believe that when we acquired Marconi for the transmission part, when we acquired Entrisphere for the broadband part, we also got ADSL from Marconi and our own VDSL, and then with Redback on the Italian routers.

The transmission routers and broadband offerings were basically covering the most critical parts of what is the fixed networks and the parts that are critical to convergence. So we think we have beefed up our position quite well. And then obviously in multimedia, when we acquired Tandberg, we improved our multimedia position and through LHS, and I'll come back to that.

If you look at the networks, the basic strategy for networks is really to never compromise on technology leadership, make sure that we have a scale advantage that we can leverage and work with operational excellence in everything we do.

Our whole philosophy is that we can -- we have, as you know, the bulk of our value-add, for example in low-cost countries when it comes to manufacturing, like China and so on. But 60% of R&D is in Sweden as well. We think we can live with a fairly limited cost advantage that the Chinese have, but not if they work smarter than us. So we're really driving the operational excellence matter hard here.

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If we look at the margins, we have only tracked them now with you for six quarters. But you can see that -- where they are. And obviously there is always a bit of a boost in the fourth quarter. Again, as we say, well over 40% market share, it could be over 45. Great 2007 for GSM. That's interesting because back in 2003, lots of people said that GSM would be dead by 2005. This is a peak year and it will just continue.

HSPA is boosting. We have repositioned ourselves in IP-based networks, as I said, through a number of acquisitions there. Lots of key wins, maybe the ones to mention here, it could be BSNL was just a few days ago, that contract, as you saw, was smaller than we had anticipated, but it was because it was covering shorter time. It was the same, basically the same ambition for the next year, but it was basically covering more years than two years.

The same thing with Bharti, you're well aware of that, we -- AT&T U.S. for example, for broadband roll outs, fiber-to-the-home was important here. Professional services, I think this is an area that you're very familiar with. Our strategy there is to make sure that we work where we have scale. How were we on scale?

Which means that focus is always on where we have a fair share of owned products because that's where all our strength starts. And obviously to make sure that we leverage our capabilities and services there. If we look at the margins, you can see that what we [found is that they're] around 15% there. You can also see that in Q3 '06, we actually got a -- quite a lot of start-ups with new contracts that, managed services contracts, that we [wrote in] and there's always initial costs.

We may have a bit of that also in Q3 this year because you know that we took 11 deals only in Q2, and we had deals in Q1 that is also starting up in Q3. But growth will obviously be strong in Q3 for us here. Well you probably recognize the down-left picture there, but it's pretty amazing what we are today in managed services and services around the world. Lots of people, lots of engineers, lots of business and a clear leadership.

On the key wins side, I guess I would like to, a little bit, mention here Deutsche Telekom where we -- which was there where we did the transmission deal lately. This was their first outsourcing deal and that's a breakthrough for us. It's Vodafone's spare part deal was quite innovative. It's the first deal that Vodafone has done on a group level.

Otherwise they do all the deals they make, they can have principle group discussions, but deals are made below the companies. Now they did a pan-European, involving nine countries, [power port] management where we take care of all the power ports for all equipment, not just our equipment.

If you look at multimedia, obviously what we want to make sure when we look at multimedia is that we really customize and -- customize solutions, but still with an ability to create scale. If we cannot create scale, we will only be like a local consultant. So it's a matter of finding those solutions that we can provide for many.

It is also so that here we have a tremendous asset in our global services team. That's where we have the system integration resources that can do the job. And obviously we also have a huge global customer base that we can leverage.

If you look at the performance here, as we said in the beginning of the year, when we launched it, this will be a little bit bumpy because there are different businesses with different characteristics and there are fairly large projects relative to multimedia size. So we shouldn't be surprised if it bumps up and down a little bit here.

We are growing on -- from a position of strength in revenue management, pre-paid and also post-paid, where we have our under acquisition of LHS, which will create world leadership in converse [building]. Service delivery platforms are important and that's where growth comes in here. Mobile platforms, EMP, has a very strategic position for us and obviously in our relationship to Sony Ericsson and Sony.

We're also expanding in new areas, primarily then network media messaging where we did the Tandberg acquisition to increase our capabilities in TV solutions of various kinds. Enterprise, we've been in for a long time, but obviously here we're more focusing on enterprise mobility.

We've done acquisitions here, Tandberg, LHS, (inaudible) and so on and we have done some pretty interesting key wins here. So let me then look at it from a regional point of view how we've done it. And we just wanted to have this picture because there are large projects and big roll outs and there can be swings in quarters. We think it could be interesting also to make sure that we understand the trends over time here. So we tracked it back to 2004 and this is the numbers, in the circle or the six months numbers to make it easier.

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We are in Western Europe so far, 5% up, but it's interesting to see that it's actually 15 compounded over four years, so sometimes we, I think, we have a bit of a too pessimistic view and it hasn't helped when we were so slow in the second quarter with the standstill in two main markets for us. But anyway, it's been pretty strong there, of course, a lot driven by services.

The [CEMA region] 18%, we are at 8 right now and as we said, larger projects create a bit of swing there, lots of activities in that region although a bit slower in Russia this year. APAC, 30% up, 30, compounded 30, everything. You know -- you're well aware of the strength in there. Latin America has been 7% up with minus one after having actually a slower year last year, and then we were negative numbers in the first quarter and I think it was 7% or 8% in the first quarter. So we're sort of back on the line, but it's clear that there is a recovery in Latin America. Quite a lot of excitement there.

U.S. has been a bit of a rollercoaster with this large Cingular contract. Right now, we're sort of a little bit in the middle -- little bit between bigger contracts, but nevertheless, that's where it was at the end. The market outlook we haven't changed. This is how we see the market outlook.

Of course it becomes a little bit special to discuss it in U.S. dollars when the U.S. dollar is moving all the time. But nevertheless, we see the activity out there in the market very much as we have seen it through the year, no different there. So in summary, our focus near and midterm, what is it that we focus on? Well first of all, obviously, to continue to drive profitable growth and gain further market share.

We are in a good position and we expect to do -- continue to gain share, continue to outperform competition. The competitive environment is a bit -- or the competitors, as you know, are involved in the mergers and so on, so it's a little bit of a special -- maybe, period. But we continue to expect to do well in all of the -- our key areas.

Drive operational excellence, as I said, is absolutely key to our -- what we do. And make sure that we continue to extend our leadership here. I think we've done -- we have reached a lot, actually, over the last couple of years, even more than we thought we could do.

The whole idea, when it comes to technical leadership also, to continue to drive operational excellence in technology as well as R&D, so we can increase the output on constant spending. And if you follow our R&D costs, they are actually constant over the last three or four years if you exclude the acquired R&D that have followed new companies when we've gone in new areas.

But it's been constant in what we do in spite that we think there is an increased ambition and expectations on what we should do in our traditional areas. To integrate acquired companies is an obvious, and to increase the momentum for Ericsson as a whole, with -- by leveraging their capabilities.

And finally, improve cash conversion, even with more turnkey projects. I think it's important that we do understand that there is no -- you know how the different regions are growing differently and you're also aware now that in the CEMA region, in the -- in Asia, where this was greenfield, since start-ups happened five, ten years ago, and everybody looked for financing. There are better payment terms and so on in these markets for the operator. That's just the prevailing conditions there.

So when we grow in these markets, we grow in regions that have often twice as long payment terms and we often, with turnkey, build up maybe twice as much working capital. So that means that there is a mathematical increase of working capital when growth is [not] stronger there.

On the other hand then, looking at that, where we have a full program going, and Karl will tell in a few minutes now, what we're doing to reduce working capital. But we need to understand that it builds up from the growth as such, and then we drive it down from the initiatives we take. So we should be able to improve our cash conversion rate.

So that is basically my introduction, and I will leave over to Karl, and then we will take questions after that. Thank you.

Karl-Henrik Sundstrom - Ericsson - EVP and CFO

Thank you, and good morning. I would like to start with a short update where we stand at the six months. So at the six months, very good sales increase with stable margins, despite a falling dollar. We continue to grow sales faster than we grow OpEx. OpEx is up about 3% if you excluded acquired units, which means that we are keeping track of leverage, our strength and keeping the OpEx under control.

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And turnkey projects continue to grow faster than the group average and it's temporarily affecting the working capital and the cash flow. We have a good performance from Sony Ericsson, which Miles will talk about later on this afternoon, but now I would like to go in a little bit in the turnkey project development.

Large projects are for the third year in a row our biggest growth engine. Most of the sales in networks are actually turnkey today. And I will come back to that, coming back to the regional pictures. Large projects are very good for Ericsson. We have unique capabilities, we get premium priced, but more importantly, we are getting an installed base where we can leverage expansion and capacity enhancement in the installed base later on.

The cash conversions are temporarily slowed down, but it will improve over time. The turnkey projects this year continue to grow faster than the group average, but the gap is narrowing. I just want to remind you about the two kinds of basic type of contracts we are having. The first one is called drop shipment.

You ship the switch or the base station with software and you get sent an invoice, plus a credit term. Then you sell the services or install the equipment separately with a separate invoice, which means that your cash flow and your cash conversion is faster. When you go into a turnkey project, which can last 200 days, plus credit terms, you have a slightly different way of building it. And I will go into a typical turnkey project.

We have 100 -- in contract value. I use 90 days as the average payment term after you finish the project. You can receive, and we do sometimes receive a down payment when we sign the contract. 25% of the value is billed when we have shipped equipment, 50% of the value when we have finished installation. And then 15% of the value we get when we get the final acceptance. So if you look upon this graph here, you can see the red is obviously cash out and the blue is cash in.

So what you do is you get the down payment, you start to send equipment, you start to install and after every milestone, you can bill the customer. And then in the end, when you get the final acceptance of the project and these can be any kind of project, multi-sites, multi-cluster, whatever.

So it's a thousand different variances on this one. But then after 290 days or more you get the final payment. Of course, if you have clients that are not happy with the way you have done the installation or how the equipment is working, obviously, you don't get the final acceptance.

Some clients use this to improve their own cash management. Some clients are more fair and give us the papers and acceptance certificates when we need it. But this is basically how the turnkey project is working. Then the obvious question is, when do we do revenue recognition and invoicing? In this kind project, which is a delivery type, we do revenue recognition when we meet the milestones.

I think this slide that Carl-Henric had is very good. Because if you remember, the 2004 and 2005 regional, we had basically 25% of Ericsson's sales in each region. In the recent years, 2006 and 2007, the growth has been mainly in APAC and CEMA region. As Carl-Henric said, we usually have twice as long payment terms in these regions compared to the average, which means if you do a simple calculation, we have grown in Ericsson compared to the six months of last year with around 5.5 billion.

The growth in APAC and CEMA is 7.8 billion compared to last year. Which obviously affects the way we grow. And as I said, most of the growth in networks is basically in turnkey because that's the prevailing way of how you buy equipment and networks in Asia Pacific and the CEMA.

So, what are we doing about this? The way we are working in the three areas, suppliers, customers, but also internally to improve our efficiency and our operational excellence. With suppliers, we are trying to align our terms and conditions and the same on the supplier chain, both locally, but also with our global partners. And here you have to be a little bit careful because if you are too tough for a local supplier of, let's say, [Visa] generators in Bangladesh, you might run him into bankruptcy if you push him too hard.

So you have to really understand that you have good partners with solid balance sheet so that they can support you. Because we want to mirror, in these cases here. But at the same time, also, when we are selling more to customers in APAC, we have longer payment terms. Our global partners, we want to carry along with the payment terms that we have. So we don't become the buffer, which we have become to a certain extent.

When it comes to the customers, we are working around three streams, trying to split the contracts, getting more drop shipment contracts, getting more progress payments and making sure that we always get the premium when you do turnkey. But you have to remember that some of those customers here that we help in the greenfield a couple of years ago have a little bit hard time now on letting go on the payment terms that we stipulated or they asked for when they were start up. So this is the toughest part.

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When it comes to the internal work, we are working very much about improving processes, methods and terms. Making sure we run things more efficiently when we roll out networks, using our scale by designing networks around the clock to get everything ready faster. Strengthen the product management to improve because in those markets, the king is the project manager.

The guy who runs the network. He's like the building manager when you build a skyscraper. He is the one who decides when things are coming in and how we deal with certain things. But also to intensify training all across [Ericsson], making sure that people do understand the importance of running efficient turnkey projects. Because this is a competitive advantage.

So how do we measure this? We are measuring it the same way we've been measuring our capital efficiency since 2003. DSO, inventory turnover and payable days. As you see, we are deviating 11 days compared to the same period last year, but I think if you look upon the growth in APAC and CEMA, it's fairly understandable. That is a target that is tough, but we're working towards.

Inventories are about the same levels of turnover as we had last year. I think we had a little bit increase in Q2, going up to 4.5 in turnover. Payable days, we have increased by pushing it out [the] number of days and we will continue to push that out.

So now I would like to go into a little bit of the cash conversion. We – I think it's important to separate what has come from Ericsson and what is coming from Sony Ericsson in the cash flow analysis. Excluding Sony Ericsson, we have generated 4.1 billion. That is excluding the prepayment, as well as the dividends paid.

And as you can see, working capital has increased less in the first six months compared to the first six months of 2006. So we are doing slightly better than the year before. Even though we are growing still very, very fast in CEMA and APAC.

If you look upon the cash conversion including Sony Ericsson, we are at now at 49%. At the capital markets day, I said we're going to be slightly better for the full year compared to what we did in 2006, and then you might ask why are you not having the same rush as you had last year in the second half you usually have? And we usually have a stronger cash conversion in the second half of the year. The reason is that we're starting up a number of big projects in this Fall, BSNL, Bharti, et cetera.

So as a summary, I would like to say turnkey projects will grow faster than group in 2007 and for the midterm. Because the growth is in CEMA, in APAC region going forward to a great extent. The importance of our turnkey projects will diminish over time as you have covered [in initial] coverage, which means the day the customer will go for capacity expansions.

We are focusing, and you will see that in my presentation, Carl-Henric's presentation and Joakim's presentation on cash conversion within the company, both internally as well as with our customers, as our suppliers. The working capital efficiency are improving and we believe the targets are well within reach. But it also depends on the growth scenario. If we stop growing, cash conversion will immediately go up.

With that, I'm finished.

QUESTION AND ANSWER

Unidentified Audience Member

Thanks. A question for Carl-Henric Svanberg and Karl Sundstrom as well. For Carl Svanberg, you've been talking for the last 12 to 18 months about this acceleration in mobile data traffic and we've seen no, I don't think, meaningful benefit to your top line. Is this something that happens in '08 or is this a very gradual issue over the next four or five years? So we're not going to see, from a financial point of view, your top line reaccelerate in terms of growth? That's for you.

Then for Karl-Henrik Sundstrom, on your – I wasn't quite clear, are you still expecting cash conversion in '07 versus '06 to improve? I didn't quite get that part.

Karl-Henrik Sundstrom - Ericsson - EVP and CFO

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I said slightly improvement.

Unidentified Audience Member

Slightly improvement.

Carl-Henric Svanberg - *Ericsson - President and CEO*

I think this is exactly how it's going to play out. I think when it comes to growth for the next coming years, it's not all easy to say. I think what we do understand and see today is it is really happening now. You can't talk to any operator without discussing data traffic and that they're approaching bottlenecks in efforts here and there.

Of course remembering also -- and let me say that we are -- we have now confirmed our outlook or did in the second quarter for this year. As a tradition, we will come back and make our first indication for 2008 in the Q3 report. And then we'll talk about 2008 more precisely.

But I think one can be, as we've said in our reports recently, we're writing that historically this has been an industry with moderate growth. We think that there is a good reason to think that that's going to approach those levels again, but how that is going to play out for 2007, and '08, we know, but for 8 and so on and when it happens depends very much on the -- what the operator does and so on.

Remember that 60% of what we do is still [DSL] roll out. I mean it's still the emerging market, so we need to have a pretty big impact on the other to change the big number.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Okay. The next one. And we'll take that one in the corner over there.

Matt Hoffman - *Cowen and Company - Analyst*

Thank you. Matt Hoffman with Cowen and Company. Carl-Henric Svanberg, the -- I think there was some concern in the market about the BSNL contract and the pricing that was hitting the headlines over the last few months. You said in your comments that it was about the timing of the contract, it was one year versus two. Can you confirm that there wasn't any real pricing degradation or pricing compression on that contract, it was just a timing issue?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Yes.

Matt Hoffman - *Cowen and Company - Analyst*

Okay. Good enough. Seasonally, the third quarter is a little bit weaker for the networks business, historically, but in -- again, in your comments you commented earlier on the professional services maybe being a little bit better here in the third quarter. Could the overall corporate top line bump that trend, or are we expecting still a seasonal type of third quarter here? Thanks.

Carl-Henric Svanberg - *Ericsson - President and CEO*

Yes, we are expecting a seasonal third quarter. And we also said that, as we did last year, that there is -- we have a bigger proportion of larger projects now. And larger projects tend to sort of be started more in the beginning of the year and finished at the end of the year. So like last year we had a little bit of a more back-loaded second half, and I think that's still the comment we make.

Services doesn't have that big an impact, but there are several contracts being started up in Q3. So you would probably have better growth in services, but I'm sure that they will -- we will reflect some start up costs for them in Q3.

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Henry Stenson - *Ericsson - SVP, Head of Communications*

Yes, we continue. And we stick to the corner over there. Let's start with the yellow tie. Sorry.

Richard Windsor - *Nomura - Analyst*

Thank you. Richard Windsor from Nomura. Two cash related questions if I may. If you separate the long-term contracts out from your total cash flow analysis and just use the underlying -- the normal sort of business that you have, how far away are you from your working capital targets? Or, are you -- actually are you on target there?

And secondly, when you mentioned you expect the turnkeys to start diminishing over time, when do you expect that to actually happen? Thanks.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

If you mean the long term, really long receivables, they are classified to customer financing and they have so far had very little impact. The trick is right now is that within normal trade -- what is normal in Asia is not the same as the normal in, for example, U.S. It's a huge difference in payment terms.

So I would say that the area where you have long payment terms in combination with turnkey is where we are having [the issues]. U.S. has basically dropped shipment and you can look in any of our competitors to find out, it's around 50 days, the payables on receivables in the U.S., while it's a lot longer in Asia Pacific in combination with turnkey.

So it's a little bit hard to answer the question, but we still have a lot to do when it comes to our targets. And usually, you have a bigger cash conversion ratio in the second half and you've seen the trend of both inventory turnover and DSO days go down in the fourth quarter and we expect that to continue this year, but maybe not to the same extent as some previous years.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Okay? We continue in the corner. Okay.

Carl-Henric Svanberg - *Ericsson - President and CEO*

When do we expect turnkey to start to diminish?

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

And I think -- when it comes to turnkey to diminish, I think it is when you -- the worry is when you grow in turnkey. Because when it's steady state, you have less impact on the cash flow, and I think for the near and the midterm, turnkey will continue because Asia has still and CEMA has still a bit to continue to build out networks.

However, the actions we are talking -- taking internally when it comes to renegotiate contracts with suppliers and customers, as well as working internally are gradually compensating that. So over time, we will increase. As I said in the last bullet, we are not far from reaching the target, but it also depends on where the growth is going to be in the next 24 months.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Next question? Still in the corner. We take the last one and then we move over here.

Richard Kramer - *Arete - Analyst*

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Yes. A couple of questions. I'm Richard Kramer from Arete. The first one on acquisitions, it's difficult for us to see how, for example, Marconi might have become accretive in the Ericsson P&L and also with some of the smaller deals. Can you just give us a little bit more detail on whether indeed Marconi is now accretive? And when those other acquisitions might become accretive to earnings, and what sort of hurdle rates or M&A criteria you applied for those sorts of deals?

And then a second question, just more broadly, if you strip out the -- from your CAGR growth rates, the catch-up spend that took place in 2004, the acquisitions and the sort of outsourcing type managed services contracts, do you regard the core business of infrastructure sales to your existing clients as a growth business? Because it's difficult to see that that's showing more than very low, maybe, perhaps single-digit growth rates. Thanks.

Carl-Henric Svanberg - Ericsson - President and CEO

Well if you look at, as we've said on Marconi, but remember that when we take Marconi, we do dismantle that company into its bits and pieces, which means that there is no longer a Marconi to track. But the Marconi products from a gross margin point of view are tracking well on par with Ericsson as a group and the OpEx savings that we did, the 1,600 people we laid off and so on, they are gone.

So all the targets we set for the acquisition as such has been reached. And with that said, that was a pretty good acquisition because that was a good acquisition price we got there. Remember also that -- how we did it as [a asset] deal with every intangible tax -- deductible.

When it comes to Redback and Tandberg, it's a bit of a different story because these companies are working already with great margins and great momentum and there we're buying them for much more strategic reasons to get access to their technology, to get access to their customer base and to improve our overall position. And of course if you calculate Tandberg, you do it yourself.

Because you know, their numbers from beforehand, of course they are not -- they are dilutive the first year, and then depends on how we can continue to keep the growth momentum. If Redback continues the growth momentum, they very soon become a great case. But it's more dependent on the growth scenario going forward.

You had another question also?

Richard Kramer - Arete - Analyst

When you [turned out] out acquisitions catch-up spending, is the traditional network business [a growth] business? It's hard to see that without (inaudible).

Carl-Henric Svanberg - Ericsson - President and CEO

Well if you look at the mobile infrastructure as we see it, and that is the figure you're after, mobile infrastructure market we see growing now in mid-single digits in U.S. dollars and all of that.

We have grown considerably more from taking market share, but obviously if you look in a historical point of view, it's probably been a couple of percent lower than it's been historically. At the same time, we think we're sort of in between here and that is the whole discussion about how -- what data will have impact on driving further capacity needs.

Henry Stenson - Ericsson - SVP, Head of Communications

[Todd].

Unidentified Audience Member

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Thank you. We appreciate that you normally refrain from commenting on the share price, but [so long] investors apply a 10% return requirement, you are now effectively priced as if you will have zero economic growth for the foreseeable future. Yet so far this year, U.S. dollars, simple inspection shows you have grown by some 15%, 16% in U.S. dollars within networks and more in professional services.

You're also indicating that we may soon return to moderate as opposed to [significant] growth. And finally, just to add to the growth picture, so far this year you have had US\$400 million in sales from India, approximately, annualized to US\$800 million. Yet the BSNL contract is running at an annualized 1.3 billion, add the Bharti contract, that's 1 billion. That's two out of say eight operators in India.

We may surmise from that that just India will give you more than 5% global growth into 2008. I'm highlighting some parameters, I don't want to push you into something, but do you want to comment on the slight dichotomy between the market's anticipation as deduced from the share price and what you have delivered --?

Carl-Henric Svanberg - *Ericsson - President and CEO*

I think the only thing I was -- first of all, I was -- as you were saying, [soon return to], that was a timing element that we haven't really said. So let's make sure that we said we have good reasons to believe that we, over time, could reach old levels and we have refrained from saying anything right now about 2008, just so we don't create any misunderstanding there.

The -- I think when it comes to the industry, at least we have perceived it to be sort of -- it's been a lot of these discussions, especially here in Europe around this cash flow generation and starving the networks and so on. We think there is a growing optimism there. I mean when we meet -- at least when we meet the operators, there is a bit of a growing optimism and they have also a growing -- there is a growing optimism there.

Maybe it's also, I don't know, it's -- we have a bit of a difficult situation to [infiltrate] when we are doing very well and our competitors are not doing so well for obvious reasons, because then they -- in the middle of the mergers. So it probably gets a little bit difficult to sort of get the full picture of that. I don't know. We will -- we are pretty optimistic about our own business.

Henry Stenson - *Ericsson - SVP, Head of Communications*

We have time for two more questions before we get into the next session and Carl-Henric and Karl will be back at least two times more. Stuart, please.

Stuart Jeffrey - *Lehman - Analyst*

Thank you. Stuart Jeffrey from Lehman. I was just wondering if you could give us a quick update on some of the short-term dynamics you mentioned on the call last time? Network sharing was having an impact on spending in Europe, if you could provide us an overview, if that's having -- if that's likely to spread across the European market, and then whether or not some of the credit issues in the markets are impacting some of the investment thoughts in emerging markets.

And then secondly, just on the DT contract that you mentioned, I think you're taking on the assets from the operator. I thought that some of these outsourcing contracts were going to be asset neutral, so could you please discuss what your rationale was behind taking on some of the operator assets?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Well I'll leave the last question for Karl, but if we start off with the first two, principally if you do a network sharing, if you do managed services, you will get, as we say often, 85% of the savings that you can get from a full network sharing. That means that you will share -- you can share sites, you can share lots of things, but you don't share the particular radio equipment, for example.

If you [do] full network sharing, you also do that, then it becomes a bit more complex, but you get some additional savings. But we think that you get more complexity for less of incremental savings. But anyway, all these, whether its mergers, they're all good in consolidating and driving economies of scale.

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However, basically networks, unless they're wrongly dimensioned, tend to be fairly fully dimensioned for the load that they have, when it comes to, for example, radio equipment, which means that in cities and what have you, they will be sort of when you put them together, you don't need less capacity than the two combined halves at the merger time.

You may in rural areas, or more remote places, you may be able to share a site and so. But you can reduce the total number of sites and get your savings. That should mean, or means from our experience that as traffic continues to grow, the fact that you slow down basically leads you to almost in a catch-up need, maybe then win some savings in rural areas and so on.

That means that it tends to become a slow down because suddenly if there's a network sharing you don't know, are we going to make an agreement? Are we not going to make an agreement? Could it even be with somebody else? What is happening? There is no need. Then we have to hold back on our investments that we had planned.

So it becomes a bit of a temporary hold and then it catches speed again, that's what happened in the U.S., that's what happened in Latin America. So I don't think that there is a reason to think that it accumulates at a sort of a lesser need, but it sort of puts things more on hold. And the funny thing here in UK is that, not only has it put those two on hold, but it puts everybody sort of on a, oh what am I going to do now? Maybe I should also share with somebody, maybe I should sort of sit still and look at it. So it kind of holds to the whole markets.

When it comes to a credit situation in the world, we have so far not really seen any affects in emerging markets. We've no signs of anything that is tightening up, primarily we think because even in the emerging markets now the companies are fairly good financial position, they're not very debt leveraged or so.

Even if there are start ups, they are started up by somebody that's already in a strong position like Maxis running [in] or Vodafone running in, or Bharti is in a good position as well. So we don't see any such impact yet. Of course if we have a major global economic growth slowdown then I guess we'd be affected, but not really so far.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

When it comes to this assets taking over in the Deutsche Telekom outsourcing, it's very, very limited. And what you refer to is something that the Deutsche Telekom said. They were talking about the gross amount. We are talking about a net amount.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Last question in this session and that will be from here.

Rod Hall - *JPMorgan - Analyst*

Hi it's Rod Hall from JPMorgan, two quick questions. One is on your turnkey solution slide you indicated 42% gross margin, and I just wonder if that's a number that we should be taking as an average across these turnkey deals. Or, how strongly should we take that number in our estimates?

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

You should use as an example just taking out. I could have used 55 and I have - it's just an example of a turnkey. But really, if it's a new build network, you shall have a slightly lower margin because it's more network roll out and it's also more mechanics than electronics. But don't put any meaning into that margin number. It was just to explain a little bit how it goes over time.

Rod Hall - *JPMorgan - Analyst*

Okay. The other question is we're hearing that there may be some interest, some of these emerging markets, carriers on the wireless side clearly don't feel like they've got the ability to manage their networks, they just don't have the skills so they're looking to you to do some of that. What about the fixed line side? We've heard there may be some interest in places like India et cetera, have you seen interest from operators in fixed line outsourcing as well?

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Carl-Henric Svanberg - *Ericsson - President and CEO*

Absolutely. It's not as frequent yet I would say, because the fixed line business tends to be more the older telcos where it's sort of culture that this is what you do for a living, whereas the start-up mobile easily gives it out. But it's happening, I don't know, you probably have the number how much fixed we have already.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

We have a couple of them. One of the most recent is in Poland and one of the first, we have a [deed] in Ericsson with Brazil Telecom in (inaudible), Brazil.

Carl-Henric Svanberg - *Ericsson - President and CEO*

But I mean if you look at the transmission deal for Deutsche Telekom, that's more fixed related than mobile related.

Rod Hall - *JPMorgan - Analyst*

I'm wondering about a place like India, though, have you seen operators approaching you for outsourcing there on the fixed line side? Or, can you comment?

Carl-Henric Svanberg - *Ericsson - President and CEO*

Not really.

Karl-Henrik Sundstrom - *Ericsson - EVP and CFO*

But as you say, there are increasingly discussion also about fixed. But that I believe has to do with a lot of people are preparing themselves for the convergence.

Rod Hall - *JPMorgan - Analyst*

Yes okay, thank you.

Henry Stenson - *Ericsson - SVP, Head of Communications*

Thank you very much, Carl-Henric and Karl-S.

PRESENTATION

Joakim Westh - *Ericsson - SVP and Head of Strategy and Operational Excellence*

Good morning, everybody. I will leave you today with three simple messages. Number one, in Ericsson we focus as much on strategy execution as we focus on strategy development. And the reason is of course that we believe that speed is so essential in today's global competitive markets.

Number two, we see I think the emergence of changing communication patterns, you know social networking, social communities et cetera. We believe these trends will create good opportunities for the future but also new types of network requirements. And number three, we believe that we have a very robust strategy that makes us well positioned to support these trends and also get the benefits from them.

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To take you through this I will use our strategic process. And why do I show you this? Because this looks like any other company. But we believe so strongly that strategy is implementation and we have to get all 67,000 employees on board on all the changes that we do. And that's why we run this very structured strategy process.

In the first quarter we look at the key trends and see if we have to make any adjustments to our strategy. And then we run a series of workshops with roughly 100 top managers every year where they get to input on the strategy to get their ownership and their anchoring.

Then we feed that into the business segment strategic planning, and finally we meet in June for the big top management global strategy conference where the top 250 managers in Ericsson meet and jointly agree on the direction for the next 12 months. And then we use these 250 people as ambassadors to cascade the information down the line, with very explicit targets on how to do that. And then we feed that into the target setting and the market unit planning and we run this yearly cycle.

And the key emphasis is to get everybody on board because we do believe culture beats strategy every time. So it's all about implementation as well as having good and unique ideas of course, I will take you through my presentation by showing examples of each quarter of this process, how we work with strategy and some of the key trends that underpin our current direction and our current strategic direction.

Starting with some of the key trends, I will talk about five trends that I think underpin our current direction. The first one is the continuous improvement in terms of technical performance at a lower cost. I will not go into detail here because our CTO, Hakan Eriksson, will talk more about this in his presentation.

But the sum of the whole is that we get faster networks, more memory capacity, more powerful processors. And even though the mobile device as such is lagging the PC, we are within the not too distant future getting in a position where the mobile device more or less can store all the information you need for your entire life, and that will change human behavior we believe.

The second key trend is the re-balancing of global economy from west to east, and you all know very well about this. And this slide just shows how fast China will overtake the U.S. as the world's largest economy if you do purchasing power parity adjustment. And India is a fast runner up. But I think the key for us is of course we see good growth in the emerging markets and Ericsson is extremely well positioned in these countries.

For example, having been in operation in China for more than 100 years, or India for 100 years, of course puts us very well into the context of these countries and these economies. But also it puts new challenges on us in terms of operational excellence. Turnkey projects, that was mentioned before here, but also in terms of understanding the kinds of applications that these countries need and then provide them with a very low total cost of ownership.

The third trend I want to point-out is something where I think we are actually in the beginning of a journey or a reinforcing spiral of creating more and more communication and more and more media. And it starts with the fact that media goes digital. By 2020 we will have about 80% of all media content digital.

And if you combine that with strong search engines that we have today, and they will of course improve even more over time, it means that you get this long tail phenomena. Basically anybody can get content across to the global audience without having a big blockbuster brand behind him or her.

So you make the user the producer and that creates more content, goes digital, easy to find through search engines and then you are in a very positive spiral, creating more and more media content and more and more communication. And one good example is of course YouTube. And I don't know if you've seen this particular video, Battle at Kruger Park, it's one of the hits right now. It just shows lions and crocodiles and buffalos in a fight for survival.

But that's not the point. The point is that this was put on the web around the beginning of May and by now it has been seen by 16 million people. 15,000 people have commented or put additional videos on top of this one. It has already been viewed on ABC news, it has been in Time Magazine, and there is a contract with National Geographic to make a documentary around this short video of eight minutes. So I just want to show how fast this spiral is working. And of course this feeds into more communication and more media content.

And if you combine that with mobility you get something which is extremely powerful. And we see if you look at the list there to the left of the most visited Internet sites today, you see that a lot of them has to do with social communities such as MySpace or Facebook or whatever you're talking about. And they all want to go mobile, like YouTube, Facebook, MySpace, they all want to get into the mobile.

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Why is that? The reason is this slide up here. Because if you look at mobile subscriptions versus Internet users, mobile subscriptions is three times larger. There are more than 3 billion mobile subscriptions and there are about 1 billion Internet users. And mobile usage is actually increasing faster than Internet usage in most parts of the world, maybe with the exception of North America and part of Western Europe.

And if you combine that with a very powerful device that you will hear more about later on here with Sony Ericsson, you get actually a device that will make the user the producer even more with camera capabilities. Right now there are six times more mobile phones with cameras than there are digital cameras 2007 sold. And also if you put handycam functionality in there, more memory et cetera, you get a very powerful device to make the user the producer in this previous circle I showed you.

For us that means some things. It means we have to embrace and mobilize this Web 2.0 type of behavior, getting into whatever is needed to make user generated content and TV really work. You know the social networking and advertising type of functionality, we work hard here with strategic corporation with Sony Ericsson and Sony how to make this work.

But we also have to help our operators to extract the value from the networks that they have. They have a lot of information in there that they could use even more such as location, presence, security, payments et cetera. And that's why we are pushing IMS so hard because that will be the only way to keep track of all these different services, or a very important way of doing it.

And the third very important thing, there will be a need for a lot more capacity, both on the fixed side, mobile side if you think about the access, but also in core, transmission and there's moving towards all IP in the networks. And the whole funny thing about this which I think is unique is that with things like YouTube you learn to become interactive when you think about TV.

And of course that's why we are so interested in IPTV as one key application here in the future, because the whole younger generation are learning that interactivity is the key thing in everything they want to do. And if you think about interactivity, it really plays to the advantage of the strength of telecom. Because versus broadcast, response times and becomes very important when you think about interactivity.

The fourth trend which is also changing communication patterns in a way is sustainability. And this is on everybody's agenda today so you know all about this. And for us it's both the global warming issue, but also the closing digital divide type of issue with rich and poor. But what we are doing right now and what we've been doing for many years is of course to continuously reduce energy consumptions in our networks.

Now we've been quite successful in that taking it down with about 30% per year. We're also adding new types of energy sources like solar, wind, biofuel et cetera, and I think you've seen some of the trials that we're doing. And one of the latest things that we've done is this Ericsson Tower Tube, which I think is a good example of this.

It's a totally new radio base station site where all the equipment that was before outside with sensors around it, shelters, equipment et cetera, it's now inside that tube. It's a concrete structure that you can do in different colors and different surface materials. And the radio base station and antenna are both in the top so we can reduce the number of meters of cable and therefore take down energy consumption.

So this requires about 75% less land, therefore a lot lower cost of ownership for the operator. It has about 30%, 40% reduction in energy consumption and therefore CO2 emission, and that's exactly an example of how we want to work with this.

But for the future we also see new business possibilities, because if we really want to attack the global warming issue we have to reduce CO2 emissions. I mean they are fighting a bit about this, but it's around 80 to 90% reduction by 2050. And then it will not be enough only to work with alternative fuels and so we have to reduce all unnecessary transport.

And if you take away unnecessary transport you have to put something in the place of those transport, and that of course could be communication. So we are working hard on machine-to-machine communication, anything that can reduce travel like high definition video conferencing, eHealth, eSurveillance, eEducation, Telematics, all these things will get a big boost from the fact that we have to solve global warming.

One example of this is [Project Gramjyoti] that we're doing in India where we have put India's first rural HSPA network in place together with a number of partners. And we're using that for all these kinds of things, eHealth, eEducation et cetera, to really both close the digital divide and remove unnecessary transport. And we're also supporting the Millennium Villages that Carl-Herrik mentioned here before.

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Then the fifth trend, the final that I want to mention here today is the move towards all IP. As you know industries are emerging, you're talking about telecom, IT, media. That means that operators in the future, regardless what kind of operator it is or service provider, they have to provide any service to any screen anywhere because that's what you want as consumers.

And that means that you have to have a more converged network, you have to move towards all IP and we believe that, together with these acquisitions and our own development we have a very well and a very strong portfolio to serve these kinds of operators for the future to move in this direction.

This of course leads to both, more subscriptions and more traffic, these trends. Now starting looking at mobile subscriptions by technology here, this shows our most recent forecast when it comes to mobile subscriptions and it points towards 5.5 billion mobile subscriptions by 2012. And we have continuously upgraded this.

As you can see, we have under estimated the power of this roll out continuously, even though we've been more aggressive than most analysts all the time. You can see the curves for 2004, 2005 and 2006. And of course if we reach 5.5 billion in 2012, it's a fairly big portion of the world population. And you can see that we are very well positioned when it comes to technologies with our GSM track and our WCDMA HSPA track and combining with LTE later on in the period.

If you translate that into traffic, both on the mobile side and the fixed side, we see because of some of these trends I mentioned of course significant increases in traffic. On the mobile side, voice will continue to grow because we have fixed-to-mobile substitution and we have the big roll out in the emerging markets. But on top of that data traffic is now taking off, as Carl-Henric said, both on the Internet and TV application side.

On the fixed side this has already happened and we see continuous growth of traffic there. And between now and 2012 the traffic forecast on the mobile side is a ten-fold increase overall of traffic. As Carl-Henric mentioned in the lower shot here, we now follow some key operators and we see that data traffic is really taking off with the help of HSPA. And the rate has historically been at least a doubling every six months, but we see almost an acceleration to that so it could be even more going forward.

Okay, then moving to the second quarter of the strategic process, drawing the strategic insight and then feeding that into the business segment strategic planning. We have divided this into four pieces. Starting in the top left corner on the customer side, we of course are working hard to grow our customer base of the merging of the industries, serving not only telecom operators but cable operators, media companies, Internet players et cetera.

And we continue to invest in mobile broadband and we have to do what I said before, mobilize and embrace the Web 2.0 type of behavior, because that will feed a lot more communication into that loop. Secondly when it comes to the portfolio, I talked about that already, that we view connectivity and multimedia as separate businesses but reinforcing businesses.

And we need to position ourselves with strong portfolios in both areas and we feel we have done that through some of these complimentary acquisitions. If you go down to the left corner they're talking about business models. We have to evolve our business models versus a more software recurrent revenue type of business model and we are working hard on that.

It's an industry change so everybody is moving in that direction but it will take time, where you do an initial sell, but then you sell different kinds of functionality and upgrades through software license keys. And then the fourth area, working with different kinds of market approaches for the emerging markets versus the developed markets.

We both have to serve the needs and the challenges of rural India, at the same time meeting the requirements of the top ten operators in the world in the more mature markets but keeping the technology the same, as Carl-Henric mentioned, for scale reasons. And the more and more turnkey projects of course puts emphasis on working with cash flow improvements in our turnkey project that Karl-S already mentioned.

This leads to our overall strategy formulation and we keep this very simple for the same reason. We have to get all the 66,000 people on board on our strategy if we want to get execution. We want to be the prime driver in the whole communicating world, there are three things we want to bring to society.

First of all we want to bring more exciting and better applications to all of you in the more advanced markets that makes your life more fun, easier, better, but at the same time provide affordable communication for all. Roll out to the next billion users and really address the digital divide issue. And third area, we want to help companies rationalize, big and small, with the help of mobility.

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We have our three business segments, Network Infrastructure, Services and Multimedia, and it should all rest on the foundation of operational excellence in everything we do. If we take a step into the three business segments, starting with Network Infrastructure, as was mentioned by Carl-Henrik, I mean one of the key things is continued technology leadership.

Because of these new network requirements that comes from these new communication patterns I talked about, but also to drive down total cost of ownership so that we can reach out across the globe and really enable these next billion users. We're working hard to maintain our scale because we do believe scale is important here, it's very R&D intensive.

And you put scale together with operational excellence you get a very powerful combination that is hard to beat, if we can keep that leadership that we have right now and continue to take market share. Continuing with services, here we are trying to work in a truly global way, as was mentioned before, to leverage scale and skill.

And the way we do this is to make sure we have standardized these processes, standardized methods and standardized tools. We work in exactly the same environment wherever you are in the globe in our service force. And we put a lot of emphasis on knowledge sharing so that you can find similar engagements across the globe.

If you have to do a certain system integration project in Bangladesh, you should very easily find similar types of projects that we've done in other parts of the world. And in terms of where to compete, we are leading the way with our installed base. And actually now the acquisitions have given us additional installed base to serve from a service point of view, so it gives us actually now inroads to go further into the Tandberg installed base, to the Redback installed base and strengthen ourselves versus the fixed operators, for example.

And if you take multimedia, it's very critical of course to leverage the end-to-end to really make these new services work from handset to handset, but also of course utilizing Ericsson's global customer base. This is also a business where you have, to some degree, to customize the solutions, a multimedia solution.

But we have to do it in a way so that we can maintain the scale in some of the core parts of such a system. And we have a great advantage of our strong service force out there, because every kind of multimedia installation requires a lot of system integration and we of course have the strongest service force, and that combination is a very good one.

And then we're working hard with increasing our pace of innovation and of course we have to work more with ecosystems, because you cannot have all the pieces of a puzzle all the time when you do a multimedia installation. And in terms of innovation, I think all Hakan will come back to that. We are increasing our research force and making that a very critical part of this innovation cycle when it comes to multimedia as well.

Then going into the third quarter, how do we tie this really into implementation and execution. And what we do is that we work with what we call strategic focus areas. It's five or six areas, shouldn't be any more than that so people can recognize them, but we feel that we have to speed up to really safeguard implementation of our strategy. We have to do a little bit more to really make sure we will land where we want to be.

And these are always cross Ericsson type of issues and these are the six areas that we decided at the last global management conference that we will focus on now for the next 12 months. And then we tie them into the target setting in a very explicit way so that there are targets relating to these five or six areas in all balance scorecards or all line managers in Ericsson.

And just to mention which ones they are, sell a broader portfolio, that is to enable now that we have the skills and capabilities to sell our broader portfolio that we have now acquired. Cash flow and turnkey projects, you heard about that already. R&D efficiency, we decided to shorten our lead times with 50% from 2005 to 2008 and we are well on our way to succeed with that.

Establish a software business model I talked about, capturing the opportunities in the high-growth low-ARPU markets, basically what type of skills do we need to really reach out to the next billion users. And then finally secure multimedia success across Ericsson.

And the last quarter of the circle, and that's why I am responsible for strategy and operational excellence programs, we tie it into our day-to-day improvement activities, continuous improvement operational excellence, and making sure that whatever we decide from a strategic point of view is fully reflected in our improvement programs that we run in the company.

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Whatever process we are trying to improve, whatever IT tools we need to change, that it ties together with the strategy one to one. And we use this very simple methodology when it comes to operational excellence, a simple staircase. We believe very much in keeping it simple to get everybody on board, as I said before.

And it always starts with having a clear organization with clear goals in the bottom, because otherwise you're just going to argue about responsibilities. And from that then build on short processes, shorter lead times, improved quality, more empowered employees, more satisfied customers, true leadership et cetera.

And our aim is to gain competitive advantage through this work, and that of course means that we continuously have to benchmark against our competitors, process by process, that we are significantly better than they are. Because otherwise we don't have the competitive advantage. So that is what we are working with continuously and we are linking that with strategy.

So in summary, to leave you again with these three simple messages. We have a very strong focus on strategy execution and I hope I've been able to convince you about that. We do believe speed is essential, not only having a great idea but actually getting it into action. And then you have to get everybody on board, otherwise you don't get the implementation.

Secondly, we see the beginning of these reinforcing spirals I talked about when it comes to new communication behaviors. It's very hard to foresee exactly what will come out of that, but we do believe there is going to be a lot more communication, a lot more media generation. And we believe we have a very robust strategy and a good portfolio to support that development for our customers but also to benefit from it.

Thank you very much.

Hakan Eriksson - Ericsson - SVP & CTO

Good morning. Happy to be here and talk to you about some of the technology; I will not go through all of it of course, but I will highlight some important things, talk about broadband, talk about IMS, talk about LTE, HSPA, multimedia communication suite, IPTV and so on, so some of the highlights. You will have it in the handout material also.

First there is these trends that Joakim talked about, the networks are going faster, faster and broadband, both downlink and uplink. More powerful processors out in the end user devices but also in the nodes in the networks. More memory capacity out in the end user devices, this pushes things out towards the edge of the network, as Carl-Henric talked about.

So I will address that in one example here. All this enables user behavior, things like YouTube is happening, like [used] is happening and so on, because it is possible due to technology. So one example I would take how this can have an impact is just go through the digital TV evolution, and this is happening in other examples also, as Joakim talked about.

Today we are in many parts of the world just going over, analog networks are closing down so we're going over to digital, but still the same model. Everything is being pushed out, you have a set-top box and you swap around on that set-top box what you want to see of what everything that is distributed to you.

The next step that is called IPTV 1.0 here, you begin to go to a server and ask for the content you want. It's more like video on demand, more interaction between you. Also now easier for the service provider to know what you are looking at, starting introducing commercials in a different way and so on.

Possible to better speeds in the transmission, better memory in the different places, more like a web experience than a true broadcast experience. And then when we come to the third option, this true networked where basically everything, even the content, is out on the end user devices. And here you are closer to a used experience where everything that you are downloading to your device is being uploaded from your neighbors devices, the same amount going up and down. Total symmetry needed in up and down link.

So what are the drivers for IPTV? There are some different drivers, not only technical. First of all, it is the end user. The end user wants to have a wider selection to choose from. Choose from a server out of 7,000 different programs maybe, instead of the 40 you have the option of here. The business related, today there has been basically TV that has been able to offer this now offering Voice over IP maybe for free.

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The telecom operators have to counterattack that offering, triple play also, introducing TV on the telecom networks. And then as I said, the technology makes all this possible due to memory, processing power and faster network. So it is three different drivers, the user driven, the business driven and the technology driven approach towards IPTV, all three important.

If we go into the technology behind this, what is needed, there is of course needed the handhelds. Here you have Tandberg to code the content and make the content available. Then the streaming and the [caches] devices to distribute it out to the end users, the access edge where you need the speed to provide it, quality on service controls, you get good quality of all this, and then control over what programs people are watching and so on, and then the end user devices.

All this is a large scale system development that requires competence to do all this, build this network, this is not trivial. And that we do, we have the competence within Ericsson. We acquired Entersphere for the GPON to get the access speeds, the Marconi for the transmission here, Redback for the control and the edge of the IP in the smart edge in the routers.

In addition to that we have Tandberg Television for the coding and we have the strong relates we have with Sony, not only in the telephone but also working together with Sony on the device side to open IPTV forum and so on, to create a standard for this whole IPTV work. The relation between these two, the service layer and the connectivity layer and control layer, we say we have a very comprehensive portfolio to drive IPTV.

Next thing apart from IPTV (inaudible) is the Web 2.0 that Joakim talked about. And here I will not go into Web 2.0, we have heard a lot about Web 2.0. I'm just saying that sometimes when you read and hear about Web 2.0 it's sort of that the standardization is being neglected, there is no need for standards anymore, everything is just happening in some fancy way.

There is a lot of need of standardization also in Web 2.0 because there is a lot of peer-to-peer communication going on. But the standard is happening in a different way, I call it less planning more Darwin. That is that you have to try out will the standard work, will it didn't. You cannot sit down in a room in Paris and say this is what it's going to look like seven years ahead, you have to try it out.

But still standards are important but just happening a different way. That's why we are now getting involved in beta trials doing things. I will come back to the mobile communications and multimedia communication suite in a while, having worked very close to an operator to develop that.

It's here. Multimedia Communication Suite, that is a way to open up the mobile phones so that you can do presence, chat, voice and everything on your mobile phone but still using all the native things that you have on your mobile phone. You have an address book and so on, you don't want to extra have this book because you just now downloaded MSN somewhere.

You don't want to find this application four menus down line, on the phone you have to go down, down, down, down, down and there it was, you want to have it on top. So you have to tie all these new interesting things that you want to do with the intelligence of the [man machine] interface on the phone. That we are doing in what we call Multimedia Communications Suite,

This is driven on IMS. So we have Ericsson mobile platforms, this is just more an architecture of the phone. Ericsson a mobile platform comes with IMS primitives on it so you can do these applications. Here is all the native things that is on the phone already, the user interface that you have with icons, the address book and everything else you have.

You don't want to do a new setting of that, so third-party applications that do things like presence, chat, sharing and all these different things, they can read there is another platform and they read the native stuff through your interfaces as we have developed and standardized. There is a standard coming out called JSR281 that makes it possible for a third-party application to develop things on the phone, using IMS and using what's already on the phone.

I will come back to a similar slide but then you will see this. Multimedia Communications Suite sitting on top of IMS in the broadband mobile world. Remember that one for the last slide. Now we come into the whole development in the access area, what's happening both fixed and mobile access or wireless access.

This slide is trying to illustrate how widespread is the technology and what speeds do you get in the technology. High speed not so well spread yet, GPON, optical fiber. Not so high speed very well spread, GPRS that is a data of GSM. Wideband CDMA, red is wireless, black is wired starting with copper going to optical.

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Now watch, things are moving. So higher speeds, more penetration for the wireless, but the wireline, dial-up didn't move that much because nobody really, if you can have something else than dial-up you want to have something else than dial-up, which is DSL. If you already have copper, okay implement DSL on top of copper, but if you have just go out to dig, don't dig down copper, dig down fiber. So that's why sort of that is happening.

And the only service that we see within the foreseeable future is really need optical fiber is IPTV, because then you need high speeds. But otherwise you will get very far on wireless. That's why you have this tag line in the bottom, GPON for IPTV, wireless for the rest, including bridging the digital divide. It is when you roll out in all the villages in India, when you build out all the Western China, wireless will take you far with HSPA and LTE.

So, why GPON for fiber? Well high definition TV channel, HDTV, takes about eight megabits per second and you might, it's yourself and your two teenagers, you may need three channels, you're up to 24 megabits. And then you want some browsing capacity on top of that. So many operators plan for about 30 megabits per household when they plan IPTV.

And then you are up here and you have to ADSL you have to VDSL. Also for the symmetries, you remember the up and down speeds have to be the same so you need symmetry. The A stands for asymmetric, you need symmetry so you need the VDSL. How far does VDSL take you? 700 meters. You want to reach far usually than 700 meters, that's where GPON comes in.

The optical fiber will take you far at high speeds. But that is one of the main reasons why you need GPON and that is why we bought Entersphere and all that, for the whole IPTV. So either you go with fiber all the way out to the house, or you go within 700 meters then you go over to VDSL if you have copper already dig down. So here is copper on VDSL and here it is optical fiber, so you can do both.

Next is the access technology wireline. If we then move into wireless HSPA, these are the speeds. And there is a little bit of mix in what is to standard what is traditional being rolled out, and usually the rolled out is tied to what the terminals can do. So we started last year by rolling out 3.6, even though we could do 14, and now 7.2 is being rolled out 2007 and uplink, as Carl-Henric said, is 1.4 coming up, it's an important thing again.

So this is where we are now, we will be soon at 28 and 6 and 40 and 12, 40 down, 12 up in HSPA. So HSPA will take you to high speeds. There's no need to rush to LTE. So if you're on the HSPA track you will soon have 40 down and 12 meg up in HSPA using different technologies.

And here we are working with different chipset vendors to be sure that they are in line with our plans also on the fixed side, predominantly of course EMP because they were very tightly connected with Ericsson Mobile platforms in developing this project.

Now is a shot on what's happening when you introduce HSPA in the network, and both Joakin, Carl-Henric and Karl-S talked about this, this is lots of graphs here. So one point is really the interesting point in this slide and this point, where the green crosses the red. The green is data traffic in Ericsson installed wideband CDMA networks in the world, and the red is voice traffic.

So this summer in May/June there was more data going through the Ericsson 3G networks than there was voice, crossover point happened this summer in the 3G networks. Then of course a lot of GSM networks out there also, that's why you don't see the full impact of that [all] the way, but it's in the 3G network this has happened.

Why did it happen? Well the blue line here, that's HSPA traffic, and the yellow here is the old release '99 data traffic. So HSPA is what's really lifting the data up. This is average/average, average over all networks even though it hasn't even installed HSPA yet and it's also average over all the radio network controllers.

So it's not the total traffic. You can see here total traffic is going down, why is that? Well the network [is expanding] you're installing more RNCs and that's why the average per RNC temporarily goes down. So if you would do the total traffic it would go up even more.

This is the super average. Now we have to take an aggressive operator, what does it look like? It looks like this. Here HSPA is introduced. Does data traffic drive traffic in the network? Yes, especially for this operator. But is that on average? Yes. HSPA really makes traffic go in the network. You would be very disappointed if we didn't talk about the HSPA and WiMAX in a presentation like that, so I will have two slides on that also.

We have all along said that Ericsson's decision in our WiMAX decision is a business case driven. We don't see the business case for us to go into WiMAX, that is still the case. But there is a lot of discussion going around now that's about it's so cheap to implement WiMAX in the laptop.

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It would be more expensive to implement HSPA, and that I'm not sure that is really true, but say that is the case, I just want to bring in the network aspect of the whole thing also, because there is one half of the whole equation is always missing in that debate. This is the fundamental to different ways to use radio spectrum, either do frequency division duplex or you do time division duplex.

And you've seen this slide many times before, I usually say this is the highway way of doing it, you go one way on that side and one way on the other side, up and down from the base station and the mobile. Here is the road construction way of doing it. There's only one lane, you go one way then you stop and then you let the traffic go the other, and then you stop and let the traffic go the other way.

Now there is a constraint with the power in the terminal, you can only have so much power in the terminal. So if you take the car analogy and you roll that out again, say that you have a top speed of the car, the car can go 200 kilometers per hour top speed. If you drive on a highway like that you can go 200 kilometers per hour.

That will also turn out to be your average speed. In this case the car can now go 200 kilometers top speed, what will the average speed be? If you do 50/50 it will be 100 kilometers per hour, you will have half the average speed.

Turn that into a radio terminal, here you will have the peak power being the same as the average power. Here the average power will be only half of the peak power. And it is the average power that determines how far you reach with your mobile. So if you do with that you will reach much less distance than if you do it that way.

WiMAX is doing it the road construction way, HSPA is doing it the highway way, so that's why an HSPA terminal will reach further than the WiMAX terminal will, that's you will need lots more base stations using WiMAX than using HSPA. When you put this into the equation, \$10 up and down on putting a WiMAX or HSPA into the laptop, it doesn't matter, it's just much more costly to have to be in this many base stations that this will require.

Still however it is the business case for us, it's what will the market size be. We think it will be 95% of the market will be HSPA, 85% will be WiMAX, that's our rationale for our business decision. It's just a technology part to give you the part to give you the other half of the equation when it comes to the cost structure building a network. Don't forget the infrastructure, don't look only at the terminal.

Now I think we missed a slide, I don't know. Okay we'll see. So now we are doing LTE after HSPA. Why do we do LTE? The reason for doing LTE is that we can give you higher bandwidth, it can give you a flexibility in terms of what frequencies to use. HSPA uses 5 meg but we can use up to 20 meg in LTE, more flexibility there.

We can use both the highway way and the road construction way, we have full flexibility in LTE to do both. Because sometimes there is only one road available, there is only spectrum available, no duplex, there's only one band available. And it will simplify network operations. So that is the reason for LTE.

But as I said, HSPA will carry on for a long time, maybe -- HSPA I mean will carry on, HSPA may peak in 2015. GSM is peaking, has the highest ever this year compared to -- maybe it will be even higher next year, but GSM hasn't peaked yet. So don't think that HSPA is something that is over now we talk LTE.

Okay here is the slide I was looking for, that came in a different order. HSPA is what we're doing today, 5 megahertz bandwidth, one and ten on each end. LTE, we talked about the flexibility in bandwidth, but also we would be able to do multiple antennas in both ends, two antennas or four antennas in both ends. And with four antennas receive transmit and 20 meg bandwidth you will get over 200 megabits per second.

And then this becomes attractive also for IPTV, also the wireless IPTV this way. You get to sort of close to the GPON speeds here. But we can do this also with HSPA, go to multiple antennas. We showed that at CTIA '06, that is what we'll give you in the end, as I talked about the 40 meg down and 12 meg up.

And this spring in Barcelona we showed our LTE demonstration on giving 144 megabits per second. So we are in the lead both when it comes to HSPA evolution and when it comes to LTE. And important, our base stations, this green stuff here is wideband CDMA stuff, the more pink here or salmon colored is LTE, so our base stations are ready for LTE. The base stations we roll out now for HSPA, they will be there live and kicking in 2015, but when you want to put an LTE in there you can do that around 2010 also.

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